

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
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June 21, 2004

Ms. Linda Holtzscheiter, Reimbursement Manager  
Mariner Health Care  
5300 West Sam Houston Parkway North  
Houston, Texas 77041

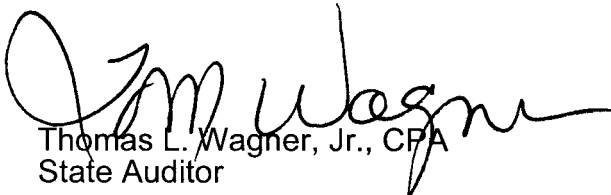
Re: AC# 3-BKV-J1 – GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph P. Hayes

**GRANCARE SOUTH CAROLINA, INC.  
D/B/A BROOKVIEW HEALTHCARE CENTER**

**GAFFNEY, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING JANUARY 1, 2003  
AC# 3-BKV-J1**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## **CONTENTS**

	<b><u>EXHIBIT OR SCHEDULE</u></b>	<b><u>PAGE</u></b>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING JANUARY 1, 2003	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD JANUARY 1, 2003 THROUGH SEPTEMBER 30, 2003	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2001	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 19, 2004

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

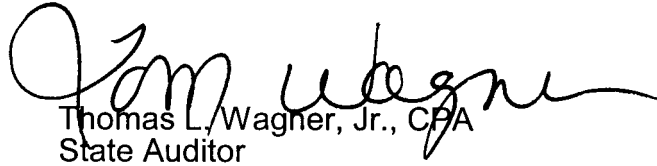
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
May 19, 2004

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA  
State Auditor

**BROOKVIEW HEALTHCARE CENTER**

Computation of Rate Change  
For the Contract Period  
Beginning January 1, 2003  
AC# 3-BKV-J1

01/01/03-  
09/30/03

Interim Reimbursement Rate (1)	\$111.37
Adjusted Reimbursement Rate	<u>110.25</u>
Decrease in Reimbursement Rate	\$ <u><u>1.12</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

**BROOKVIEW HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period January 1, 2003 Through September 30, 2003  
AC# 3-BKV-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$56.97	\$ 67.28	
Dietary		9.98	11.21	
Laundry/Housekeeping/Maintenance		<u>8.67</u>	<u>9.67</u>	
Subtotal	\$ <u>6.17</u>	75.62	88.16	\$ 75.62
Administration & Medical Records	\$ <u>.76</u>	<u>12.01</u>	<u>12.77</u>	<u>12.01</u>
Subtotal		87.63	<u>\$100.93</u>	87.63
<u>Costs Not Subject to Standards:</u>				
Utilities		2.80		2.80
Special Services		.01		.01
Medical Supplies & Oxygen		4.48		4.48
Taxes and Insurance		2.49		2.49
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$97.41</u>		97.41
Inflation Factor (3.70%)				3.60
Cost of Capital				7.85
Cost of Capital Limitation				(.36)
Profit Incentive (Maximum 3.5% of Allowable Cost)				.76
Cost Incentive				6.17
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(5.18)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$110.25</u>

**BROOKVIEW HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2001  
AC# 3-BKV-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,728,592	\$11,386 (5)	\$28,230 (2) 6,612 (2) 4,361 (3) 1,022 (3) 6,535 (4) 18,801 (8)	\$2,674,417
Dietary	468,487	-	-	468,487
Laundry	94,805	-	-	94,805
Housekeeping	132,363	1,829 (6)	1,133 (7)	133,059
Maintenance	176,170	1,926 (4) 2,423 (6)	1,518 (7)	179,001
Administration & Medical Records	582,650	1,140 (6)	3,602 (2) 555 (3) 3 (3) 12,495 (4) 1,943 (7) 1,326 (8)	563,866
Utilities	130,884	1,800 (6)	1 (4) 1,116 (7)	131,567
Special Services	261	2 (3) 4,717 (4)	4,713 (8)	267
Medical Supplies & Oxygen	193,340	19,814 (2) 3,061 (3)	6,085 (8)	210,130
Taxes and Insurance	116,626	1,502 (6)	104 (4) 948 (7)	117,076



**BROOKVIEW HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2001  
AC# 3-BKV-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	53	-	-	53
Cost of Capital	350,842	31,976 (1)	15,146 (4)	368,521
	<u>          </u>	<u>1,970 (6)</u>	<u>1,121 (7)</u>	<u>          </u>
Subtotal	4,975,073	83,546	117,370	4,941,249
Ancillary	237,196	-	-	237,196
Nonallowable	271,440	18,630 (2)	31,976 (1)	316,650
		2,878 (3)	10,664 (6)	
		27,638 (4)		
		7,779 (7)		
	<u>          </u>	<u>30,925 (8)</u>	<u>          </u>	<u>          </u>
Total Operating Expenses	<u>\$5,483,709</u>	<u>\$171,396</u>	<u>\$160,010</u>	<u>\$5,495,095</u>
Total Patient Days	<u>46,943</u>	<u>-</u>	<u>-</u>	<u>46,943</u>
Total Beds	<u>132</u>			

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-BKV-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Cost of Capital Nonallowable	31,976	31,976
	To adjust capital return State Plan, Attachment 4.19D		
2	Medical Supplies Nonallowable	19,814 18,630	
	Nursing		28,230
	Restorative		6,612
	Administration		3,602
	To reclassify salary expense to the proper cost center HIM-15-1, Sections 2102.3 and 2304 DH&HS Expense Crosswalk		
3	Medical Supplies Special Services Nonallowable	3,061 2 2,878	
	Nursing		4,361
	Restorative		1,022
	Administration		555
	Medical Records		3
	To adjust fringe benefit expense allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Maintenance Special Services Nonallowable	1,926 4,717 27,638	
	Nursing		6,535
	Administration		12,495
	Utilities		1
	Taxes and Insurance		104
	Cost of Capital		15,146
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-BKV-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	11,386	
	Retained Earnings		11,386
	To remove income applicable to the prior period HIM-15-1, Section 2302.1		
6	Housekeeping	1,829	
	Maintenance	2,423	
	Administration	1,140	
	Utilities	1,800	
	Taxes and Insurance	1,502	
	Cost of Capital	1,970	
	Nonallowable		10,664
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
7	Nonallowable	7,779	
	Housekeeping		1,133
	Maintenance		1,518
	Administration		1,943
	Utilities		1,116
	Taxes and Insurance		948
	Cost of Capital		1,121
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2001  
AC# 3-BKV-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	30,925	
	Nursing		18,801
	Administration		1,326
	Medical Supplies		6,085
	Special Services		4,713
	To adjust special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$171,396</u>	<u>\$171,396</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**BROOKVIEW HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2001  
AC# 3-BKV-J1

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.4607</u>	<u>2.4607</u>	
Deemed Asset Value (Per Bed)	38,431	38,431	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,381,928	1,690,964	
Improvements Since 1981	759,920	45,598	
Accumulated Depreciation at 9/30/01	<u>(1,351,720)</u>	<u>(509,235)</u>	
Deemed Depreciated Value	2,790,128	1,227,327	
Market Rate of Return	<u>.0577</u>	<u>.0577</u>	
Total Annual Return	160,990	70,817	
Return Applicable to Non-Reimbursable Cost Centers	(1,284)	(575)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	159,706	70,242	
Depreciation Expense	102,532	50,453	
Amortization Expense	559	279	
Capital Related Income Offsets	(9,419)	(4,710)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(747)</u>	<u>(374)</u>	<u>Total</u>
Allowable Cost of Capital Expense	252,631	115,890	\$368,521
Total Patient Days (Actual)	<u>31,300</u>	<u>15,643</u>	<u>46,943</u>
Cost of Capital Per Diem	\$ <u>8.07</u>	\$ <u>7.41</u>	\$ <u>7.85</u>

**BROOKVIEW HEALTHCARE CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 2001  
 AC# 3-BKV-J1

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.54	\$N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.53</u>	<u>\$7.41</u>
Reimbursable Cost of Capital Per Diem	\$7.49	
Cost of Capital Per Diem	<u>7.85</u>	
Cost of Capital Per Diem Limitation	<u>\$(.36)</u>	

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